92-1395

No. _____

Supreme Court, U.S.
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In The

Supreme Court of the United States

October Term, 1992

WALTER ROERS, in his official capacity as Director of the Disability Determination Services; R. JANE BROWN, in her official capacity as Commissioner of the Minnesota Department of Jobs and Training,

Petitioners,

vs.

DANIEL J. SCHOOLCRAFT; THEODORE THOMAS, and JOSEPH DRUMBEATER, individually and on behalf of all others similarly situated,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Eighth Circuit

PETITION FOR WRIT OF CERTIORARI OF WALTER ROERS AND R. JANE BROWN

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21 pp

QUESTIONS PRESENTED

As authorized by federal law, the State of Minnesota makes initial determinations upon claims for Social Security disability benefits filed by individuals in Minnesota. The State makes those determinations on behalf of the Secretary of Health and Human Services pursuant to a plenary system of regulations promulgated by the Secretary.

1. Are State officials who are responsible for directing these activities subject to suit predicated on 42 U.S.C. § 1983?

2. Are State officials who are responsible for directing these activities protected from suit pursuant to 42 U.S.C. § 405(h) to the same extent as "the United States, the Secretary, or any officer or employee thereof?"

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No. _____

In The

Supreme Court of the United States

October Term, 1992

WALTER ROERS, in his official capacity as Director of the Disability Determination Services; R. JANE BROWN, in her official capacity as Commissioner of the Minnesota Department of Jobs and Training,

Petitioners,

vs.

DANIEL J. SCHOOLCRAFT; THEODORE THOMAS, and JOSEPH DRUMBEATER, individually and on behalf of all others similarly situated,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Eighth Circuit

PETITION FOR WRIT OF CERTIORARI OF WALTER ROERS AND R. JANE BROWN

The state petitioners respectfully pray that a writ of certiorari issue to review the decision and order of the United States Court of Appeals for the Eighth Circuit entered in the above-entitled proceeding on July 2, 1992.

OPINIONS BELOW

The decision of the Court of Appeals for the Eighth Circuit is reported at 971 F.2d 81 and is reprinted in the Appendix (App.) App. 2-19. The decision of the United States District for the District of Minnesota is reported at 753 F.Supp 1478 (D.Minn. 1991) and is reprinted in the Appendix. App. 20-50.

JURISDICTION

Alleging jurisdiction under 42 U.S.C. § 405(g), 42 U.S.C. § 1383(c)(3), 28 U.S.C. § 1331, 28 U.S.C. § 1361 and 28 U.S.C. § 1343(3), Respondents brought this suit in the District of Minnesota. On January 3, 1991, the District of Minnesota issued its decision granting the Petitioners' motions for summary judgment.

Upon Respondents' appeal to the Eighth Circuit pursuant to 28 U.S.C. § 1291, a three-judge panel reversed the District Court. Petitioners filed petitions for rehearing with suggestion for rehearing en banc which were denied on October 9, 1992. On December 29, 1992, Mr. Justice Blackmun signed an order extending to February 8, 1993 the time within which this petition may be filed. On February 1, 1993, Justice Blackmun signed an order further extending the time to file to February 22, 1993.

This Court has jurisdiction to hear this matter under 28 U.S.C. § 1254(1).

STATUTORY AND REGULATORY PROVISIONS INVOLVED

42 U.S.C. § 405(g)
42 U.S.C. § 405(h)
42 U.S.C. § 421(a)
42 U.S.C. § 421(c)(1)
42 U.S.C. § 421(d)
42 U.S.C. § 421(e)
42 U.S.C. § 421(k)
42 U.S.C. § 1983
20 C.F.R. §§ 404.1615(g) and 416.1015(g)
20 C.F.R. §§ 404.1626 and 416.1026
20 C.F.R. §§ 404.1633 and 416.1033
Minn. Stat. § 268A.03(e) (1990)

STATEMENT OF THE CASE

Respondents brought this action challenging the Petitioners' evaluation of their claims, and those of others similarly situated, for Social Security disability benefits under Title II, pertaining to covered wage-earners, or Title XVI, for non-wage earners, of the Social Security Act ("the Act"). Each of them claimed disability as a result of alcoholism or some other drug dependency.

In Respondents' original complaint, only Louis W. Sullivan,[1] M.D., Secretary of the Department of Health and Human Services, was named as a defendant. Subsequently, Respondents added the State Petitioners as

[1] Louis W. Sullivan has since been succeeded by Donna E. Shalala as Secretary.

defendants, naming Joseph Samargia[2] in his official capacity as Commissioner of the Minnesota Department of Jobs and Training and Walter Roers in his official capacity as Minnesota's Director of Disability Determination Services.

The gravamen of the complaint was that initial determinations, and reconsideration determinations, were being made without adequate consideration being given to a finding of "loss of control" by alcohol abusers as the Respondents contend is required by *Adams v. Weinberger,* 548 F.2d 239 (8th Cir. 1977). The Respondents alleged that a high reversal rate of these determinations upon appeal to the Social Security Administration's Office of Hearings and Appeals where, the Complaint alleged, *Adams* was being applied properly, established that the *Adams* case was not being properly applied by the State Petitioners at the initial and reconsideration stages.

The Secretary of Health and Human Services has responsibility under the Social Security Act for establishing and monitoring the process under which disability determinations are made under Title II, Federal Old-Age, Survivors and Disability Insurance Benefits and Title XVI, Supplementary Security Insurance for Aged, Blind and Disabled. 42 U.S.C. §§ 421 and 1383b(a), respectively. State agencies are to make the determinations unless the state has notified the Secretary that it chooses not to or the Secretary has found the state has failed to make such determinations consistent with the Act and regulations.

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[2] Joseph Samargia has since been succeeded by R. Jane Brown as Commissioner.

42 U.S.C. § 421(a)(1). In the event a state agency fails to make such determinations, or with respect to any persons for whom a state agency declines to make determinations, the Secretary is required to make the determinations. 42 U.S.C. § 421(g). The Secretary is required to provide regulations and written guidelines to state agencies to be used in making determinations as well as regulations pertaining to the administration of the state agency. § 421(a)(2). These regulations must establish uniform standards for all levels of determination, review and adjudication. 42 U.S.C. § 421(k). Furthermore, the Secretary is required to review at least 50 percent of determinations establishing disability and other determinations to "assure a high level of accuracy in such determinations." 42 U.S.C. § 421(c). Individuals dissatisfied with the determination of a state agency are to be accorded a hearing by the Secretary and have a right to judicial review of the Secretary's final decision. 42 U.S.C. §§ 421(d), 405(g).

The Secretary has promulgated regulations governing state agencies in making determinations of disability under Title II and Title XVI. 20 C.F.R. § 404.1601, *et seq.* and 20 C.F.R. § 416.1001, *et seq.*, respectively. These regulations provide for the issuance of guidelines by the Secretary to the state agencies in a Program Operations Manual System (POMS) which establishes a detailed adjudicatory process for making disability determinations. 20 C.F.R. §§ 404.1633, 416.1033. The regulations also govern fiscal matters, 20 C.F.R. §§ 404.1626, 416.1026, and establish performance standards "to help assure effective and uniform administration of our disability programs

throughout the United States." 20 C.F.R. §§ 404.1640-404.1661, 416.1040-416.1062. Determinations of state agencies are determinations of the Secretary, until reviewed by the Secretary. 20 C.F.R. §§ 404.1613(a), 416.1013(a). State agencies are expressly relieved of the responsibility for "defending in court any determination made or any procedure for making determinations, under these regulations." 20 C.F.R. § 404.1615(g), 416.1015(g).

The Department of Jobs and Training (Department) is a department of government of the State of Minnesota. Minn. Stat. § 15.01 (1990). Disability Determination Services (DDS) is a unit within the Department established pursuant to Minn. Stat. § 268A.03(e) (1990). Although DDS is part of the State government, it is 100% federally funded. Its function is to determine individuals' eligibility for social security benefits under the Social Security Act, consistent with directives issued by the Social Security Administration (SSA). Affidavit of Walter J. Roers, JA 353.[3] The Minnesota DDS has ranked highly in complying with those directives – fourth in the nation. Deposition of Walter J. Roers.

Subsequent to commencement of the suit, Mr. Schoolcraft and Mr. Drumbeater, upon reconsideration of their claims by DDS, were determined to be disabled and eligible for benefits in April, 1990. Mr. Thomas was found eligible in February, 1991, upon appeal to the Office of Hearings and Appeals.

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[3] "JA" refers to the Joint Appendix submitted to the Court of Appeals.

REASONS FOR ISSUANCE OF THE WRIT

A. The Eighth Circuit's Holding That The State Petitioners Are Subject To Suit Under 42 U.S.C. § 1983 For Their Disability Determinations Is In Conflict With Decisions Of This Court And Other Circuits.

In a decision contrary to established law and holdings in other circuits, the Eighth Circuit held that the Minnesota officials were acting under color of state law for purposes of 42 U.S.C. § 1983 in making the disability determinations at issue here. The Court below decided that the State Petitioners are employees of a state agency established pursuant to state law. It concluded, therefore, that the State Defendants were acting under color of state law even though the determinations were made on behalf of the Secretary of Health and Human Services pursuant to detailed regulations and guidelines promulgated by the Secretary that govern the substantive and procedural actions of the state officials.

The Eighth Circuit's decision should be reviewed by this Court because it is contrary to decisions of other circuits and this Court, because it contravenes the obvious intent of Congress to involve states in the disability determination process without subjecting them to litigation costs or liability, and because it creates a strong disincentive for state participation.

The DDS operates exclusively under the supervision and control of the SSA. The Panel conceded as much when it stated that "[t]he DDS acts under the authority and control of the Secretary." App. 5. Both state and federal law authorize the states to make disability determinations, but it is only federal statutes and regulations

that provide for the manner in which those determinations are to be made. Regulations expressly provide that the determinations are those of the Secretary. 20 C.F.R. §§ 404.1613(a), 416.1013(a). The determinations are made pursuant to federal regulations and are subject to review by the SSA. Lastly, all of the state's expenses incurred in making such determinations are paid by the SSA.

In *Lugar v. Edmonson Oil Co.*, 457 U.S. 922 (1982), the Court analyzed the "state action" requirement as follows:

> It . . . avoids imposing on the State, its agencies or officials, responsibility for conduct for which they cannot be fairly blamed. . . . Our cases have . . . insisted that the conduct causing the deprivation of a federal right be fairly attributable to the State. . . . First, the deprivation must be caused by the exercise of some right or privilege created by the State or by a rule of conduct imposed by the state or by a person for whom the state is responsible. . . . Second, the party charged with the deprivation must be a person who may fairly be said to be a state actor.

Id. at 937-38. In this case, the alleged deprivation cannot be fairly attributed to the State because it is not caused by the State Defendants. Nor can it be fairly said that the State Petitioners are state actors since they are subject to the plenary control of the Secretary in making Social Security disability determinations. It is clear from the statutory and regulatory framework that such determinations do not carry the "weight of the State" but rather carry the weight of the Secretary.

This degree of federal supervision has been found by other circuit courts to support a holding that state

employees were not acting under color of state law. In *Ellis v. Blum*, 643 F.2d 68, 83 (2d Cir. 1981), arising under a prior system of state-federal agreements as opposed to the present regulatory system, the Second Circuit held that New York State officials who were performing disability determinations under the Social Security Act were acting under color of federal, not state, law so that suit against them could not be predicated on section 1983. In *Rosas v. Brock*, 826 F.2d 1004 (11th Cir. 1987), a case arising from denial of benefits under the Disaster Relief Act, state employees were held to be acting under color of federal, not state, law where the employees made the decision of entitlement to benefits solely on the basis of federal regulations. The Court said: "Where the challenged action by state employees is nothing more than the application of federal rules, the federal involvement in those actions is so pervasive that the actions are taken under color of federal and not state law." *Id.* at 1007. In *Askew v. Bloemker*, 548 F.2d 673 (7th Cir. 1976), the Court refused to find police officers acting under color of state law where they were being directed and funded by a federal drug enforcement agency even though they were paid by and reported to their local police departments. The Court found there was "an indelibly federal hue upon the activities . . . and the totality of the circumstances . . . clearly show[ed] that these agents were acting pursuant to federal authority and not under color of any state law." *Id.* at 677. The Eighth Circuit's decision here is, therefore, in direct conflict with the Second Circuit and runs counter to rulings in the Eleventh and Seventh Circuits.

While some cases have allowed suit against state defendants under section 1983 for failure to comply with provisions of the Act, those cases all involve programs

where there existed a mixture of federal and state funding or regulation which supported a holding that the state defendants were acting under color of state law. *See Maine v. Thiboutot*, 448 U.S. 1 (1980) (state regulations governing AFDC); *Nebraska Health Care Ass'n v. Dunning*, 778 F.2d 1291 (8th Cir. 1985) (state laws pertaining to medicaid reimbursement); *Decker v. U.S. Dept. of Labor*, 564 F.Supp. 1273 (E.D. Wis. 1983) (county discretion in placing Concentrated Employment and Training Act participants in sectarian-related positions); *Bush v. Boys*, 463 F.Supp. 59 (E.D. Va. 1978) (state regulations pertaining to food stamps). Here, funding and regulation is exclusively federal; state law merely authorizes the Commissioner of Jobs and Training to "maintain a contractual or regulatory relationship with the United States as authorized by the Social Security Act." Minn. Stat. § 268A.03(e) (1990).

Furthermore, the circuit court's decision to allow respondents to proceed against the state officials under section 1983 is inconsistent with this Court's decision in *Suter v. Artist M.*, 503 U.S. ___, 112 S.Ct. 1360 (1992). In *Suter*, the Court held that a provision requiring "reasonable efforts on the part of states receiving funds under the Adoption Assistance and Child Welfare Act of 1980 to avoid removal of children from their homes" did not give rise to a private cause of action under section 1983. The Court noted that, subsequent to *Maine v. Thiboutot*, 448 U.S. 1 (1980), in which it was established that section 1983 is available as a remedy for violations of statutory as well as constitutional provisions, the scope of its application has been narrowed to preclude enforcement of a "violation of a federal statute where Congress has foreclosed

such enforcement of the statute in the enactment itself and where the statute did not create enforceable rights, privileges or immunities within the meaning of section 1983." *Suter,* 503 U.S. at ___, 112 S.Ct. at 1366, *quoting Wright v. Roanoke Redevelopment and Housing Authority,* 479 U.S. 418, 423 (1987). The court also noted that, in *Smith v. Robinson,* 468 U.S. 992 (1984), it had held that Congress intended to foreclose a section 1983 action where it provided "a comprehensive remedial scheme" in the statute itself. *Suter,* 503 U.S. at ___, n.11, 112 S.Ct. at 1366.

In this case, regulations promulgated under the Act provide a detailed adjudicatory scheme which the State is obliged to follow. If the State does not follow that scheme, the Secretary has the authority to change the determination in an individual case and to take steps to remedy the State's performance under the Act. As in *Suter,* the requirements of the Act and regulations promulgated thereunder are enforceable by the Secretary and do not provide a basis for a claim against the State based on section 1983.

The Panel's decision also creates various practical problems for all states performing disability determinations. Since they are required by 42 U.S.C. § 421(a)(2) to make determinations in conformance with the Act and guidelines provided by the Secretary, they have no authority to unilaterally apply case law holdings nor are they equipped to do so in terms of staff expertise. Instead, it is the Secretary's responsibility to incorporate court decisions into federal program guidelines. Only in that way will the Act be implemented consistently across the nation. Furthermore, inclusion of the State Petitioners

in this suit is directly contrary to 20 C.F.R. §§ 404.1615(g) and 416.1015(g) relieving states from the responsibility of "defending in court any determinations made, or any procedure for making determinations, under these regulations."

Finally, allowing the Respondents to proceed against the State Petitioners introduces uncertainty into the federal-state relationship regarding both the costs of litigation and any attorneys fees that might be awarded pursuant to section 1988 against a state defendant in a section 1983 suit. By proceeding against a state agency in a section 1983 action, rather than completing the Act's administrative procedures and thereafter obtaining judicial review of the Secretary's final decisions as provided by 42 U.S.C. § 405(g), Respondents claim attorneys fees not obtainable under the Act. Respondents should not be rewarded with attorneys fees for circumventing the remedial framework established by the Act.

If states can be sued under section 1983 and subjected to the costs of litigation and potential attorneys fees, they will have a strong incentive to refuse to make disability determinations even though the Act evinces a preference by Congress that states make such determinations.

All of the above considerations support the conclusion not only that the Eighth Circuit erred in finding a cause of action against the State Petitioners under 42 U.S.C. § 1983, but also that this Court must grant review to restore consistency among the circuits on the "under color of state law" issue and to preserve the efficiency of the disability determination process.

B. The Panel Erred In Refusing To Give Effect To 42 U.S.C. § 405(h) With Respect To The State Petitioners.

42 U.S.C. § 405(h) provides that findings of fact and decisions of the Secretary may be reviewed only as provided in the Act and precludes suits under section 1331 or 1346 of Title 28 against the "United States, the Secretary, or any officer or employee thereof . . . to recover on any claim arising under" the subchapter. *See generally: Weinberger v. Salfi*, 422 U.S. 749 (1975), *Heckler v. Ringer*, 466 U.S. 602 (1984).

The Panel, in concluding respondents could proceed under section 1331, held that the State Petitioners were not protected from suit by 42 U.S.C. § 405(h) because they were not federal officers or employees. Although it may be literally correct that the state officials are not federal employees, the Court's decision produces a result not intended by Congress. Rather, Congress intended by this provision to assure that claims arising under the disability provisions of the Act be adjudicated pursuant to its provisions. Under the statutory framework it enacted, Congress could not have reasonably anticipated suits against state employees under the circumstances of this case.

There can be no question that there is a seamless integration of the DDS into the benefit adjudication process under the Act with truly plenary control of the DDS by the SSA. Congress must have reasonably intended that Section 405(h) apply to those engaged throughout the process. Such an application is consistent with the Act and regulations promulgated by the Secretary: an appeal

to the Secretary from the state agency decision is provided to dissatisfied claimants, 42 U.S.C. § 421(d); judicial review of the Secretary's final decision is expressly provided, 42 U.S.C. § 405(g); suits under 28 U.S.C. § 1331 and § 1346 for claims arising under the Act are expressly precluded, 42 U.S.C. § 405(h); state agencies are entitled to reimbursement of all expenses, 42 U.S.C. § 421(e); and determinations of the DDS are determinations of the Secretary, 20 C.F.R. §§ 404.1613(a), 416.1013(a). This suit is a challenge to an area of administration of the Act for which the Secretary is responsible. Given the statutory framework, it is unreasonable to conclude that Congress intended that the State Petitioners should be subject to suit under section 1331 while the Secretary who exercises plenary control of the adjudicatory process is not.

CONCLUSION

This Court should issue its writ of certiorari to the Court of Appeals for the Eighth Circuit because:

1. There exists a clear conflict among circuits on the issue of whether a section 1983 cause of action lies against state officials responsible for performing disability determinations under the Social Security Act. The Eighth Circuit's decision on this issue is in error.

2. The Eighth Circuit erred in construing section 405(h) of the Act to allow suit against the State Petitioners performing disability determinations under the Social Security Act.

Dated: February 22, 1993

Respectfully submitted,

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United States Court of Appeals

FOR THE EIGHTH CIRCUIT

No. 91-1643MNMI

Daniel J. Schoolcraft,	*	Order Denying
Appellants.	*	Petition for Rehearing
	*	and Suggestion for
vs.	*	Rehearing En Banc
	*	
Louis W. Sullivan, M.D.,	*	
	*	
Appellee.	*	

The suggestion for rehearing en banc is denied. Judge Bowman, Judge Beam, and Judge Loken would grant the suggestion for rehearing en banc.

The petition for rehearing is also denied.

October 9, 1992

Order Entered at the Direction of the Court:

/s/ Michael E. Gans

Clerk, U.S. Court of Appeals, Eighth Circuit

Daniel J. SCHOOLCRAFT; Theodore Thomas, and Joseph Drumbeater, individually and on behalf of all others similarly situated, Appellants,

v.

Louis W. SULLIVAN, M.D., Secretary of Department of Health and Human Services; Walter Roers, in his official capacity as Director of the Disability Determination Services; R. Jane Brown, in her official capacity as Commissioner of the Minnesota Department of Jobs and Training, Appellees.

No. 91-1643.

United States Court of Appeals,
Eighth Circuit.

Submitted Nov. 13, 1991.

Decided July 2, 1992.

Rehearing and Rehearing En Banc
Denied Oct. 9, 1992.

Laurie N. Davison, Minneapolis, Minn., argued (M. Francesca Chervenak, Kathleen M. Davis, and Barbara J. Kuhn, on the brief), for appellants.

Howard S. Scher, Dept. of Justice, Washington, D.C., argued (Donald Notvik, Asst. Atty. Gen., St. Paul, Minn., on the brief), for appellees.

Before LAY,* Chief Judge, ARNOLD,** Circuit Judge, and STUART,*** Senior District Judge.

LAY, Chief Judge.

This is an appeal from the district court's[1] award of summary judgment dismissing a class action[2] complaint filed by three individuals, Daniel J. Schoolcraft, Theodore Thomas and Joseph Drumbeater, against Louis W. Sullivan, Secretary of the Department of Health and Human Services (Secretary), and Walter Roers and R. Jane Brown in their official capacities as Director of Minnesota's Disability Determination Services and Commissioner of the Minnesota Department of Jobs and Training, respectively. Plaintiffs challenged the procedures and standards applied by defendants to disability claims involving chronic alcoholism or some other drug dependency. *See Schoolcraft v. Sullivan*, 753 F.Supp. 1478 (D.Minn.1991). At the time the class action was filed, January 25, 1990, each

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*The HONORABLE DONALD P. LAY was Chief Judge of the United States Court of Appeals for the Eighth Circuit at the time this case was submitted and took senior status on January 7, 1992, before the opinion was filed.

**The HONORABLE RICHARD S. ARNOLD became Chief Judge of the United States Court of Appeals for the Eighth Circuit on January 7, 1992.

***The HONORABLE WILLIAM C. STUART, Senior United States District Judge for the Southern District of Iowa, sitting by designation.

[1] The Honorable David S. Doty, United States District Judge for the District of Minnesota.

[2] The class allegedly consists of over 4000 plaintiffs, each of whom sought benefits based on disability due to chronic alcoholism.

of the plaintiffs had applied for disability benefits by reason of chronic alcoholism. The district court awarded summary judgment to the defendants and dismissed the complaint for lack of subject matter jurisdiction based upon the plaintiffs' failure to exhaust their administrative remedies. Consequently, the court concluded that plaintiffs' motion for class certification was moot. Jurisdiction was alleged under 42 U.S.C. § 405(g) (1988), 28 U.S.C. §§ 1331, 1343(3) and 1361 (1988).[3]

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[3] Subsequent to the filing of the class action, Schoolcraft and Drumbeater were awarded disability benefits in May 1990 and Thomas received benefits in February 1991. The defendants allege that this moots the law suit. We must respectfully disagree. The district court denied certification of the class as moot on the basis that it lacked jurisdiction to entertain the complaint. This court finds that jurisdiction to hear the case does lie with the federal courts. Plaintiffs' motion for class certification is not moot as it was not decided upon the merits. Notwithstanding the grant of eligibility, these plaintiffs continue to have a personal stake in the litigation because their continuing eligibility is subject to periodic review. *United States Parole Comm. v. Geraghty*, 445 U.S. 388, 100 S.Ct. 1202, 63 L.Ed.2d 479 (1980); *Wilkerson v. Bowen*, 828 F.2d 117 (3d Cir.1987). Since the class action was denied *before* the named plaintiffs were awarded disability benefits, as part of our judgment we remand this cause for determination of class certification with instructions that class certification should relate back to January 25, 1990.

The instant case can be distinguished from *Shipman v. Missouri Dep't of Family Servs.*, 877 F.2d 678 (8th Cir.1989), *cert. denied*, 493 U.S. 1045, 110 S.Ct. 842, 107 L.Ed.2d 837 (1990), in which this court held that where plaintiffs fail to file a motion requesting a ruling on the issue of class certification and the district court does not rule on the issue, the court loses jurisdiction where the named plaintiffs' personal claims become moot.

The initial determination of a claim for disability benefits is made by a state agency pursuant to regulations, guidelines and standards established by the Secretary. 42 U.S.C. §§ 421(a), 421(k)(1), 1383(a) (1988). If the initial determination is adverse, the claimant may request a de novo reconsideration of the claim by the same state agency. 20 C.F.R. § 404.904-.909 (1991). In Minnesota, the Disability Determination Services of the Minnesota Department of Jobs and Training (DDS) has been designated to handle these first two stages of the administrative adjudication process. The DDS acts under the authority and control of the Secretary. 42 U.S.C. §§ 421(a), 421(k)(1), 1383b(a) (1988); 20 C.F.R. §§ 404.1503(a), 416.903(a) (1991). Failure to seek a reconsideration renders the initial decision binding on the claimant. If the reconsideration is adverse, the claimant is entitled to a hearing by the Secretary and may request a de novo hearing before an administrative law judge (ALJ). 42 U.S.C. §§ 405(b)(1), 421(d), 1383(c)(1) (1988); 20 C.F.R. § 404.967-.981 (1991). Failure to request a hearing before an ALJ renders the adverse reconsideration a final decision. If the ALJ's decision is adverse to the claimant, the claimant may appeal that decision, within sixty days, to the Social Security Administration Appeals Council (Appeals Council). A final decision exists once the Appeals Council has denied review or has issued its own decision. After exhausting these remedies, a claimant may file a complaint in federal district court requesting an award of benefits pursuant to section 405(g). *See* 42 U.S.C. §§ 421(d), 1383(c)(3). In the present case, plaintiffs have admittedly not exhausted their administrative remedies.

This suit is not for benefits.[4] Unlike the plaintiffs in *Heckler v. Ringer*, 466 U.S. 602, 104 S.Ct. 2013, 80 L.Ed.2d 622 (1984), in which the relief sought was a change in the Secretary's policy so that the claimants would not have to resort to the administrative process to receive benefits, the relief sought by plaintiffs would not determine whether they would receive benefits. The relief sought is that defendants apply the same standards to plaintiffs' claims for benefits at each stage of the administrative process. *See* 42 U.S.C. § 421(k)(1) ("[t]he Secretary shall establish by regulation uniform standards which shall be applied at all levels of determination, review, and adjudication in determining whether individuals are disabled. . . . "). Plaintiffs allege that defendants do not follow the five-step analysis required by the Secretary's regulations.[5] Specifically, plaintiffs allege that at the third

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[4] At the time of this action, each individual claimant had been denied benefits in the initial and reconsideration level by the state defendants.

[5] *See Bowen v. City of New York*, 476 U.S. 467, 470, 106 S.Ct. 2022, 2024, 90 L.Ed.2d 462 (1986). Assuming a claimant is not engaged in substantial gainful activity and is found to suffer from an impairment which is severe and limits the claimant's basic work activity, then the administrative adjudication moves to the third step of the five step analysis. If the impairment is severe, the claim is evaluated under the third step of the analysis to determine whether the claimant's impairment meets or equals the severity of an appropriate listed impairment. If a claimant alleges disability based on alcoholism or dependency on another drug, the claim is evaluated under section 12.09 listings. If it does meet or equal a listed impairment under section 12.09, the claimant is conclusively presumed to be disabled. When the impairment is severe but is not listed, then the fourth stage of the analysis is used to assess the residual

step of the analysis the adjudicator is also or alternatively required to consider whether the claimant is addicted to alcohol and has "lost the voluntary ability to control its use." *See Adams v. Weinberger,* 548 F.2d 239 (8th Cir.1977). Plaintiffs argue that *Adams* established an alternative to section 12.90 listings. *See supra* note 5. Although the ALJ and Appeals Council typically employ the *Adams* analysis at stage three, the state defendants allegedly do not. The record shows that at least two individuals who evaluate claims at the state level testified that neither the Secretary nor the Social Security Administration (SSA) had instructed DDS employees that they must determine whether a claimant can voluntarily control his or her use of alcohol when evaluating a claim for disability benefits due to drug dependency. These DDS employees were not aware of any such requirement and had never applied the *Adams* standard when evaluating such claims. Plaintiffs assert that as the *Adams* standard is considered by the ALJ and the Appeals Council it ought to be considered at the initial and reconsideration adjudications conducted by the state DDS at the direction of the SSA and the Secretary.

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functional capacity (RFC) and to determine whether the claimant is able to perform work formerly done. If he is able, he is not considered disabled and the claim is denied. 20 C.F.R. §§ 404.1520(e), 416.920(e) (1991). If the claimant is not able to do the former work, the analysis moves to the fifth and final stage at which it is determined whether the claimant can do any other work available in the national economy given the age, education, and work experience of the person. If the claimant cannot do any other work, disability is found. 20 C.F.R. § 404, subpart P, appendix 1 (1991).

Although to some extent the merits relate to the jurisdictional issue, resolution of the merits does not determine the question of jurisdiction. We address only whether the district court erred in its jurisdictional ruling.

Section 405(g)

In order for the district court to have subject matter jurisdiction under section 405(g),[6] a claimant must have presented a claim for benefits to the Secretary and exhausted the administrative remedies prescribed by the Secretary. *See, e.g., Weinberger v. Salfi,* 422 U.S. 749, 95 S.Ct. 2457, 45 L.Ed.2d 522 (1975). The second element of jurisdiction, the exhaustion of the administrative remedies, although jurisdictional, is nonetheless deemed waivable. *See, e.g., Mathews v. Eldridge,* 424 U.S. 319, 331 n. 11, 96 S.Ct. 893, 900 n. 11, 47 L.Ed.2d 18 (1976) (jurisdictional requirement of exhaustion under section 405(g) relates to the requirement of finality). As the district court notes, in the instant case the claimants, as defined in plaintiffs' motion for class certification, all satisfy the jurisdictional requirement that a claim for benefits has been made to the Secretary. The putative class consists entirely of individuals who have not exhausted the

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[6] Title 42 U.S.C. § 405(g) specifies the following requirements for judicial review: (1) a final decision of the Secretary made after a hearing; (2) commencement of a civil action within 60 days after the mailing of notice of such decision; and (3) filing of the action in an appropriate district court. *Weinberger v. Salfi,* 422 U.S. 749, 763-64, 95 S.Ct. 2457, 2465-66, 45 L.Ed.2d 522 (1975).

administrative remedies available to them, however. Therefore, in order for their claims to be heard in federal court, exhaustion must be waived.

Under *Bowen v. City of New York*, 476 U.S. 467, 106 S.Ct. 2022, 90 L.Ed.2d 462 (1986), waiver of administrative exhaustion may be admitted only under special circumstances. The Secretary urges that such circumstances are present only where the challenged policy was adopted in secret and where (1) the issues were entirely collateral to the claim for benefits; (2) the injury could not be remedied by a retroactive payment; and (3) exhaustion would be futile. *City of New York*, 476 U.S. at 483, 106 S.Ct. at 2031, *aff'g*, *City of New York v. Heckler*, 742 F.2d 729 (2d Cir.1984), *aff'g*, 578 F.Supp. 1109 (E.D.N.Y.1984). We agree that waiver of administrative remedies is the exception to the general rule. However, we find the present case presents an exceptional circumstance and waiver should be allowed.[7]

City of New York began as a class action challenging the SSA's internal policy of determining disability benefits based on a general listing of impairments instead of individual assessments. The district court declared that policy illegal, and the Secretary appealed the court's decision to grant relief to claimants who had failed to exhaust administrative remedies. The Supreme Court divided the class into two groups. Relief for the first group, for whom administrative remedies were no longer available when

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[7] As the Court has explained, the Secretary has discretion to decide when to waive the exhaustion requirement, but cases may arise where deference to the agency's judgment is inappropriate. *Eldridge*, 424 U.S. at 330, 96 S.Ct. at 900.

the internal policy became public, was affirmed with little explanation other than noting that requiring exhaustion would be unfair because the claimants could not have challenged the unknown policy. *City of New York*, 476 U.S. at 478-82, 106 S.Ct. at 2029-31; *see also Pittson Coal Group v. Sebben*, 488 U.S. 105, 123, 109 S.Ct. 414, 425, 102 L.Ed.2d 408 (1988). In addition, notwithstanding the fact that the second group of plaintiffs still had time to exhaust their administrative remedies at the time the suit was filed and the Secretary's secret policy was revealed, the Court found jurisdiction to review their claims under section 405(g). *City of New York*, 476 U.S. at 482-86, 106 S.Ct. at 2031-33. In view of these factors, the district court erred in ruling that a secret policy is a prerequisite to waiver of exhaustion. *Accord Marcus v. Sullivan*, 926 F.2d 604 (7th Cir.1991); *Bailey v. Sullivan*, 885 F.2d 52 (3d Cir.1989).

City of New York, relying on *Mathews v. Eldridge*, 424 U.S. 319, 331, 96 S.Ct. 893, 900, 47 L.Ed.2d 18 (1976), requires that claimants show (1) their claims are collateral to their claim of benefits; (2) that irreparable injury will follow; and (3) that exhaustion would otherwise be futile. We find that plaintiffs have established these prerequisites to waiver and that the district court erred in dismissing their claim against the defendants for lack of jurisdiction.

In the instant case, the district court refused to waive the requirement of exhaustion of administrative remedies, reasoning that (1) plaintiffs had not challenged a secret policy of HHS; (2) plaintiffs' claims were not collateral to their individual claims for benefits; and (3) claimants had not shown irreparable harm because

exhaustion of their administrative remedies and awarding of retroactive benefits, where appropriate, would remedy the wrong. On this basis, the district court concluded it did not have jurisdiction to entertain the complaint under section 405(g).

Although their present contentions may be intertwined with their claims for benefits, plaintiffs' claims are nonetheless sufficiently collateral to justify waiver of exhaustion. Here the class does not seek benefits in the district court, rather, as in *City of New York*, They challenge the Secretary's failure to ensure that uniform standards are applied at all levels of review. Like the claims in *City of New York*, the plaintiffs' claims in this case are collateral to their claims for benefits. Despite its close resemblance to the claim presented in *Heckler v. Ringer*, 466 U.S. 602, 104 S.Ct. 2013, 80 L.Ed.2d 622 (1984), the *City of New York* Court determined that the issue in *City of New York* was collateral because it involved the Secretary's failure to follow the applicable regulations. *See also Marcus v. Sullivan*, 926 F.2d 604 (7th Cir.1991); *Johnson v. Sullivan*, 922 F.2d 346, 351 (7th Cir.1991) (en banc); *New York v. Sullivan*, 906 F.2d 910, 912-13 (2d Cir.1990). In *City of New York*, the claimants were excused from administrative exhaustion and allowed to proceed directly to district court because they had challenged the very procedure by which their claims were processed.[8] The Court found that

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[8] The central issue is whether plaintiffs' claims fall within the factual setting of *City of New York or Ringer*. In focusing on whether exhaustion should be waived, the Supreme Court in *City of New York* stated:

> This case is materially distinguishable from one in which a claimant sues in district court, alleging mere

whether claimants received the "procedure they should have been afforded in the first place" was entirely collateral to the merits of their claims for benefits. *City of New York*, 476 U.S. at 484, 106 S.Ct. at 2032. The instant case presents a similar situation.

The district court's attempt to distinguish plaintiffs' claims as substantive rather than procedural is, under the existing circumstance, not a controlling factor.[9] The fact remains that plaintiffs' claims are independent of their

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> deviation from the applicable regulations in his particular administrative proceeding. In the normal course, such individual errors are fully correctable upon subsequent administrative review since the claimant on appeal will alert the agency to the alleged deviation. Because of the agency's expertise in administering its own regulations, the agency ordinarily should be given the opportunity to review application of those regulations to a particular factual context. Thus, our holding today does not suggest that exhaustion is to be excused whenever a claimant alleges an irregularity in the agency proceedings.
>
> These claimants stand on a different footing from one arguing merely that an agency incorrectly applied its regulation. Rather, the District Court found a systemwide, unrevealed policy that was inconsistent in critically important ways with established regulations.

City of New York, 476 U.S. at 484-85, 106 S.Ct. at 2032-33.

[9] Analysis regarding whether something is procedural or substantive often leads to obtuse characterization of the issue. In the present case, plaintiffs assert that state officials are applying standards at the initial stages of review which are inconsistent with the Social Security Act and the Constitution. *See* supra n. 5.

claims for disability and thus are sufficiently collateral to support waiver of exhaustion.

Second, we find claimants have made a sufficient showing of irreparable harm resulting from the defendants' practices. Claimants have produced over 200 affidavits which clearly demonstrate the harms caused by administrative exhaustion in these individual cases.[10] The district court held that retroactive benefits provided an adequate remedy. The overwhelming body of case law, however, is to the contrary. *See, e.g., Schweieker v. Chilicky,* 487 U.S. 412, 108 S.Ct. 2460, 101 L.Ed.2d 370 (1988) (months of delay in receipt of necessary Social Security income on which one has depended for the very necessities of life cannot be fully remedied by the "belated retroaction of benefits"); *Eldridge,* 424 U.S. at 331, 96 S.Ct. at 900 ("an erroneous termination [of benefits] would damage [claimant] in a way not recompensable through retroactive payments").

Finally, the district court determined that the purposes underlying the exhaustion doctrine would not be served if waiver were permitted in the present case. We must again respectfully disagree. The purposes of administrative exhaustion are set forth in *Weinberger v. Salfi,* 422 U.S. 749, 95 S.Ct. 2457, 45 L.Ed.2d 522 (1975). In *Salfi,* the Court explained that exhaustion is required in order that

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[10] For example, Thomas Smith was homeless until he was awarded benefits by an ALJ 14 months after he had applied for benefits. Smith Decl. ¶ 15 Jt.App. 234, 236. Other members of the class, such as Jerome Arnold, Joseph Darikely and Dale Leonard, were living on the streets as of the date of this appeal because they could not find housing they could afford.

"the agency may function efficiently and so that it may have an opportunity to correct its own errors, to afford the parties and the courts the benefit of its experience and expertise, and to compile a record which is adequate for judicial review." *Id.* at 765. The *Salfi* Court found that exhaustion would have been futile and inconsistent with those policies, and characterized the relief ordered – reopening the claims – as showing "proper respect for the administrative process." *Id.* Indeed, stressing the pragmatic basis of the exhaustion doctrine, the Court has directed that the doctrine's application be governed by the policies underlying the exhaustion requirement rather than by "mechanical application of the *Eldridge* factors." *City of New York*, 476 U.S. at 484, 106 S.Ct. at 2032.

We find great similarity between the present case and *Mental Health Ass'n v. Heckler*, 720 F.2d 965 (8th Cir.1983).[11] In holding that administrative remedies should be waived, the *Mental Health Ass'n* court noted that the irreparable harm inherent in the pursuit of administrative relief and the apparent inadequacy of it to redress the interests of the class were not alleviated but rather exacerbated by reversals on appeal. *Id.* at 970. We agree with claimants' representation that eventual correction of the errors of DDS will not cure the alleged harm. As plaintiffs urge, even though exhaustion may often result in benefits being awarded it "*never* removes or corrects the systemic errors at the initial and reconsideration stage[s] of the administrative process." Appellants'

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[11] *Heckler v. Ringer*, 466 U.S. 602, 104 S.Ct. 2013, 80 L.Ed.2d 622 (1984), involved the same issue, termination of mental health benefits, later challenged in the *City of New York* case.

brief at 31. As the Second Circuit stated in *Jones v. Califano*, 576 F.2d 12 (2d Cir.1978), under analogous circumstances, with exhaustion requirements "SSA could operate indefinitely . . . with two standards . . . one for claimants who seek review by the Appeals Council, and one for claimants who do not." *Id.* at 17.

We think the most telling and forceful argument plaintiffs make is that unless exhaustion is waived, if the *ALJ* implements the correct procedures and applies the correct standards and, where appropriate, awards benefits, there will never be judicial review to challenge the actions the DDS takes at the initial and reconsideration stages. Exhaustion would be futile if the challenged policy could never be judicially reviewed. As stated in *City of New York:* "We should be especially sensitive to this kind of harm where the Government seeks to require claimants to exhaust administrative remedies merely to enable them to receive the procedure they should have been afforded in the first place." 476 U.S. at 484, 106 S.Ct. at 2032; *see also Barry v. Barchi*, 443 U.S. 55, 63 n. 10, 99 S.Ct. 2642, 2648 n. 10, 61 L.Ed.2d 365 (1979) (no need to exhaust procedures when action concerns the legality of those procedures); *Touche Ross & Co. v. SEC*, 609 F.2d 570, 577 (2d Cir.1979) (to require appellants to exhaust their administrative remedies would be to require them to submit to the very procedures which they are attacking); *Jones v. Califano*, 576 F.2d 12 (2d Cir.1978) (exhaustion waived because futile in light of the Secretary's final position and the possibility of repeated reversal on appeal frustrating review of the constitutional issue).

We conclude that the district court erred in failing to waive the exhaustion requirement of section 405(g) and in

preventing the suit against the Secretary from proceeding.

Section 1361

Jurisdiction under section 1361 by way of writ of mandamus is sought only against the Secretary. Since we find waiver of exhaustion and jurisdiction against the Secretary established under section 405(g) review, we need not discuss the plaintiffs' mandamus claim.[12] We note, however, that this court and other courts have found an alternative basis for jurisdiction under section 1361 in similar circumstances. *See, e.g., Mental Health Ass'n v. Heckler*, 720 F.2d 965, 971 n. 71 (8th Cir.1983). On this ground the order dismissing the claim under mandamus is vacated. The district court may well choose to issue a writ of mandamus requiring the Secretary to direct the state officials to follow the Secretary's procedures and the standards of this circuit.

State Defendants

Plaintiffs assert jurisdiction against the state defendants under sections 1331 and 1343(3).[13] We think plaintiffs' reliance on section 1343(3) is misplaced. As stated

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[12] Since we find jurisdiction under section 405(g), we need not discuss section 1331 jurisdiction as to the plaintiffs' constitutional claims against the Secretary. *See Mathews v. Eldridge*, 424 U.S. 319, 96 S.Ct. 893, 47 L.Ed.2d 18 (1976).

[13] 28 U.S.C. § 1343(3) states: "To redress the deprivation, under color of any State law, statute, ordinance, regulation, custom or usage, of any right, privilege or immunity secured by the Constitution of the United States or by any Act of Congress providing for equal rights of citizens or of all persons within the jurisdiction of the United States."

by the Court in *Chapman v. Houston Welfare Rights Organization*, 441 U.S. 600, 99 S.Ct. 1905, 60 L.Ed.2d 508 (1979):

> The Social Security Act does not deal with the concept of "equality" or with the guarantee of "civil rights" as those terms are commonly understood. The Congress that enacted § 1343(3) was primarily concerned with providing jurisdiction for cases dealing with racial equality; the Congress that enacted § 1343(4) was primarily concerned with providing jurisdiction for actions dealing with the civil rights enumerated in 42 U.S.C. § 1985, and most notably the right to vote. While the words of these statutes are not limited to the precise claims which motivated their passage, it is inappropriate to read the jurisdictional provisions to encompass new claims which fall well outside the common understanding of their terms.

Chapman, 441 U.S. at 621, 99 S.Ct. at 1917 (footnote omitted).

Nonetheless, the allegation is made that the state defendants, acting under color of state law, violated the federal regulations and applicable federal law (as well as the United States Constitution). Under these circumstances, although plaintiffs do not expressly allege a violation under 42 U.S.C. § 1983 (1988), we find federal question jurisdiction sufficiently pled under section 1331. *See Maine v. Thiboutot*, 448 U.S. 1, 100 S.Ct. 2502, 65 L.Ed.2d 555 (1980).

The state defendants assert 42 U.S.C. § 405(h) (1988) bars federal question jurisdiction against them. We disagree. Section 405(h) reads: "No action against the United States, the Secretary, or any officer or employee thereof

shall be brought under [28 U.S.C. § 1331 et seq.] to recover on any claim arising under [Title II of the Social Security Act]." *See Weinberger v. Salfi*, 422 U.S. 749, 756, 95 S.Ct. 2457, 2462, 45 L.Ed.2d 522 (1975); *Schoolcraft*, 753 F.Supp. at 1478, 1490. This provision expressly applies only to officials of the United States. Although DDS is responsible for carrying out the Secretary's regulations and policies, it operates pursuant to state statutory authority. *See* Minn.Stat. § 268A.03(e) (1990). The Commissioner of Department of Jobs and Training is required to:

> maintain a contractual or regulatory relationship with the United States as authorized by the Social Security Act, as amended. Under this relationship, the state will undertake to make determinations referred to in those public laws with respect to all individuals in Minnesota, or with respect to a class or classes of individuals in this state that is designated in the agreement at the state's request. It is the purpose of this relationship to permit the citizens of this state to obtain all benefits available under federal law.

Minn.Stat. § 268A.03(d).

The state defendants are neither officers nor employees of the federal government.[14]

Claimants allege that these state officers in their official capacities, acting under color of state law, violated federal law and the United States Constitution by failing

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[14] In this regard we disagree with the holding of the Second Circuit that the state defendants are acting solely as agents of the United States. *See Ellis v. Blum*, 643 F.2d 68 (2d Cir.1981).

to apply the proper criteria. On this basis plaintiffs properly assert federal question jurisdiction under section 1331.

Whether the challenged practices and policies are inconsistent with or violative of the Secretary's policies is an issue for the district court to resolve. If plaintiffs' claims have merit, as the depositions of the state officers indicate, perhaps the Secretary and the claimants can settle their differences. If the individuals are harmed, as plaintiffs have alleged, the institutional concern should be great and the wrong readily remedied.[15]

The judgment dismissing the plaintiffs' claim for lack of jurisdiction is vacated and the cause is remanded for further proceedings in accordance with this opinion.

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[15] This entire litigation is somewhat bewildering to this court. In oral argument the government stated that there is no merit to plaintiffs' claims because the DDS presently adheres to the SSA's standards and regulations which purportedly comply with the legal standards and procedures claimants deem applicable. Thus, the issue is whether the plaintiffs are correct in asserting that the Secretary has failed to properly instruct the state officials to do what the Secretary agrees should be done. If all this is true, the Secretary can easily remedy this dispute and save everyone a great deal of time and expense by entering into a consent judgment in the district court specifically stating the applicable standards are to be applied at each stage of the claim evaluation process.

Daniel J. SCHOOLCRAFT, Theodore Thomas, and Joseph L. Drumbeater, individually and on behalf of all other similarly situated, Plaintiffs,

v.

Louis W. SULLIVAN, M.D., Secretary of the Department of Health and Human Services, et al., Defendants.

Civ. No. 4-90-53.

United States District Court,
D. Minnesota,
Fourth Division.

Jan. 3, 1991.

M. Francesca Chervenak, Kathleen Marge Davis, John S. Whitelaw, Laurie Nina Davison, Minneapolis, Minn., for plaintiffs.

Jerome Arnold, U.S. Atty., Robert Michael Small, Asst. U.S. Atty., Minneapolis, Minn., Donna Morros Weinstein, Chief Counsel, Region V, Donald T. McDougall and Michael Messer, Asst. Regional Counsel, Chicago, Ill., for defendant.

Hubert H. Humphrey, III, Atty. Gen. and Donald E. Notvik, Sp. Asst., St. Paul, Minn., for state defendants.

ORDER

DOTY, District Judge.

This matter is before the court on plaintiff's motion for class certification and defendants' motion to dismiss for either lack of subject matter jurisdiction or failure to state a claim upon which relief may be granted, or in the

alternative, for summary judgment. Based on the file, record and proceedings herein, the court grants defendants' motion for summary judgment.

BACKGROUND

The plaintiffs bring this action to challenge the administrative process for evaluating social security disability claims in which the claimants allege alcoholism or other substance abuse as the basis for their disability.

Titles II and XVI of the Social Security Act provide monthly disability benefits to persons who are unable "to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment."[1] 42 U.S.C. § 423(d)(1)(A); 42 U.S.C. § 1382c(a)(3)(A). The definition of disability is stringent because the Act does not permit benefits for partial disabilities. *Stephens v. Heckler,* 766 F.2d 284, 285 (7th Cir.1985). The Act further imposes a durational requirement: an impairment must be disabling for a continuous period of not less than twelve months. 42 U.S.C. § 423(d)(1)(A); *Timmerman v. Weinberger,* 510 F.2d 439, 443 (8th Cir.1975). Thus, medical conditions which are episodic and do not last for a continuous 12-month period cannot constitute a disability within the meaning of the Social Security Act, even if they are disabling for recurrent periods of less than twelve months. *See, e.g., Maher v.*

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[1] The regulations setting the disability standards under Titles II and XVI are the same in all relevant respects. *Sullivan v. Zebley,* ___ U.S. ___, 110 S.Ct. 885, 888 n.3, 107 L.Ed.2d 967 (1990).

Secretary of Health & Human Servs., 898 F.2d 1106, 1109 (6th Cir.1989) (citing *Schaffer v. Califano*, 433 F.Supp. 1218, 1224 (D.Md. 1977)). In order to obtain benefits under Titles II or XVI, a person must file a claim with the Secretary alleging, among other things, the condition or impairment which disables, and the date on which the disability began. Once a claimant is deemed "disabled", benefits will continue as long as other nondisability related criteria are met unless the claimant's medical condition has improved to the point where substantial gainful activity can be performed.[2]

The Secretary has established a four-tier administrative appeals process to resolve disputed disability claims. The "initial determination" of a claim is made by a state agency pursuant to regulations, guidelines, and performance standards established by the Secretary (Initial Stage). 42 U.S.C. §§ 421(a), 1383b(a). If the initial determination is adverse, the individual may request within 60 days a de novo reconsideration by the same state agency. (Reconsideration Stage). Failure to seek further review renders the initial determination binding. After an adverse reconsideration decision, the claimant becomes "entitled to a hearing thereon by the Secretary". 42 U.S.C. §§ 421(d), 1383(c)(1). The claimant may request a de novo hearing before an administrative law judge (ALJ) within

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[2] There are certain circumstances in which the Secretary may find that disability has ended even though medical improvement has not occurred, provided the claimant also can perform substantial gainful activity under the circumstances. For example, benefits may be terminated without medical improvement if the recipient has undergone vocational therapy. 42 U.S.C. § 423(f)(2).

60 days after the adverse reconsideration determination. 42 U.S.C. §§ 405(b)(1), 1383(c)(1). Failure to request an ALJ hearing renders the reconsideration determination binding. At the fourth stage, the claimant may appeal an adverse ALJ decision, within 60 days, to the Appeals Council, the highest appellate tribunal within the Social Security Administration. If the claimant fails to make a timely request for such review, the ALJ decision becomes binding. For purposes of judicial review, a determination of an individual's claim for benefits becomes a "final decision" only after the Appeals Council has either denied review or granted review and issued its own decision. This final decision then is subject to judicial review pursuant to 42 U.S.C. § 405(g). *See* 42 U.S.C. §§ 421(d), 1383(c)(3).

In Minnesota a state agency called the Disability Determination Services of the Minnesota Department of Jobs and Training (DDS) has been designated by the Secretary to handle the first two stages of the administrative process. Thus, the DDS determines whether the claimant is disabled at the Initial Stage. If unsuccessful at the Initial Stage, the claimant may ask the DDS for a reconsideration. If unsuccessful at the Reconsideration Stage, the claimant may request a hearing before an administrative law judge who is employed by the Social Security Administration.

Throughout the four-tier administrative appeals process, a five-step analysis is used to determine whether a claimant is "disabled" for purposes of the Act. In the first step the Secretary determines if the claimant is working or engaged in "substantial gainful activity" at the time of

the determination. If yes, the claim for benefits is automatically denied. 20 C.F.R. §§ 404.1520(a) & (b), 416.920(a) & (b) (1989). If the claimant is not engaged in substantial gainful activity the Secretary moves to the second step of the process and determines whether the claimant has a physical or mental impairment which is "severe". An impairment is considered severe if it significantly limits a claimant's physical or mental ability to perform basic work activity. If an impairment is not severe, the claimant is not considered to be disabled and the claim is denied. 20 C.F.R. §§ 404.1520(c), 416.920(c) (1989). If the claimant is determined to have a severe impairment, the Secretary moves to the third step to determine whether the claimant's impairment meets or equals the severity of an appropriate listed impairment. A listed impairment is one which is included, with its symptoms, in the regulations governing the Title II and Title XVI programs. If the Secretary determines that the claimant has an impairment which meets or equals the characteristics of a listed impairment the claimant is conclusively presumed disabled. 20 C.F.R. §§ 404.1520(d), 416.920(d) (1989). If the claimant's impairment does not meet or equal a listing, the Secretary goes to the fourth step to determine whether the claimant is able to do work formerly done. If the claimant is able to do the former work the claimant is not considered disabled and the claim is denied. 20 C.F.R. §§ 404.1520(e), 416.920(e) (1989). If the claimant is not able to perform the former work, the Secretary moves on to the fifth step to determine whether the claimant can do any other work available in the national economy, given the age, education, and work experience of the person. If the claimant cannot do any

other work, disability is found. 20 C.F.R. §§ 404.1520(f), 416.920(f) (1989).

At the third step of the evaluation process, if a claimant alleges disability based on alcoholism or drug dependency, the claim is evaluated under § 12.09 of the listings, entitled "Substance Addiction Disorders". 20 C.F.R., Part 404, Subpart P, Appendix 1 (1989). Section 12.09 is structured as a reference listing, *see id.* § 12.00(A), which merely identifies other sections of the regulations that are to be used when evaluating the behavioral, mental, or physical changes resulting from the claimant's regular use of addictive substances. To establish a conclusive presumption of disability, the claimant meets the required level of severity if the requirements of any one of nine categories listed under § 12.09 are met. The plaintiffs contend that the Eighth Circuit has, in *Adams v. Weinberger*, 548 F.2d 239 (1977), articulated an additional standard which is equivalent to nine § 12.09 listings and which must be used to evaluate disabilities based on alcoholism or drug dependence.[3] Under the plaintiffs' interpretation, the *Adams* case mandates that in evaluating such disability claims, "the emphasis should be placed on whether the claimant is addicted to alcohol and as a consequence has lost the voluntary ability to control its use." *Id.* at 244. The plaintiffs further contend that the DDS does not apply the *Adams* standard and thus improperly denies benefits at the first two stages of the

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[3] The plaintiffs note that nine categories in § 12.09 represent the Secretary's current policy, but claim that the categories conflict with *Adams*. At the time, *Adams* was decided § 12.09 was not in effect.

administrative process, the Initial and Reconsideration Stages.

The plaintiffs seek class certification for all those individuals alleging disability based on alcoholism or other substance abuse who have been denied benefits at the first two stages of the administrative process. The plaintiffs' initial motion for conditional class certification was denied by this court in an order dated February 5, 1990. The plaintiffs now renew the motion seeking to represent a class of persons defined as follows:

> All persons residing in Minnesota:
>
> 1. Who have filed or will file an application for Title II and/or Title XVI disability benefits, or who receive or will receive Title II and/or Title XVI disability benefits;
>
> 2. Who allege that they are unable to work in whole or in part because of alcoholism or another drug dependency.
>
> 3. Who have been or will be denied or terminated by defendants either in an initial or a reconsideration determination;
>
> 4. Who have not received a subsequent decision on the application or termination from an administrative law judge; and
>
> 5. Whose initial determination was on or after January 25, 1989, or whose reconsideration determination was on or after November 21, 1989.

The plaintiffs note that none of the named plaintiffs had exhausted their administrative remedies at the time this action was filed. The plaintiffs' complaint also confirms

that none of the members of the proposed class would ever exhaust their administrative remedies because the class is defined to include only those persons who have had their claims for disability benefits denied or terminated at the first two levels of administrative review. The complaint further specifies that persons who do reach the third step of the appeals process and receive an ALJ decision automatically leave the class, regardless of whether the ALJ's decision was favorable or unfavorable. Therefore, it is undisputed that the named plaintiffs and the proposed class members have failed to exhaust their administrative remedies.

The plaintiffs also concede that exhaustion of administrative remedies would eliminate the errors of which they complaint. The plaintiffs only allege that the DDS does not apply the *Adams* standard at the Initial or Reconsideration Stages to evaluate claims based, in whole or in part, on alcoholism or other drug dependency. In other words, if a claimant's impairment does not meet a § 12.09 listing at either the Initial or Reconsideration Stage, that claim is denied or benefits are terminated without any application of the so-called *Adams* standard. The plaintiffs contend, however, that the administrative law judges correctly apply the *Adams* standard at the third stage of the administrative process.[4] The plaintiffs therefore concede

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[4] Despite their assertion that the ALJ's correctly apply the *Adams* standard in the third step of the evaluation process, plaintiffs also note that only 59% of the favorable ALJ decision specifically rely on the *Adams* case.

that any such errors in the first two stages of the administrative process are subsequently corrected at the later stages of the administrative process.

The history of the named plaintiffs' claims highlight the significance of the plaintiffs' concession that exhaustion of administrative remedies would not be futile. Joseph Drumbeater applied for supplemental security income (SSI) on November 29, 1988. Drumbeater was denied benefits in Initial and Reconsideration determinations dated February 8 and June 23, 1989. On March 12, 1990, Drumbeater had a hearing before an administrative law judge, who granted benefits from December 1, 1986, the date on which Drumbeater claimed his disability had begun.

Daniel J. Schoolcraft filed for Title II disability and SSI benefits on September 9, 1989. After his claim was denied at the initial level, Schoolcraft requested reconsideration on November 13, 1989. On March 22, 1990, the DDS awarded Schoolcraft benefits on both his applications, finding him disabled since September 1, 1989.

Theodore Thomas filed his second application for Title II disability benefits on July 26, 1989, alleging disability due to alcoholism since July 28, 1981. To receive Title II disability benefits a claimant must establish that he was disabled on or before the date of the expiration of his insured status. 42 U.S.C. § 416(i)(3). Thomas alleged disability due to alcoholism since July 28, 1981, and further alleged that his insured status for Title II disability benefits had expired after the onset of his disability on December 31, 1982. Thus, Thomas claimed he was eligible for Title II benefits. After initial and reconsideration

denials, Thomas requested an ALJ hearing. On February 9, 1990, the ALJ dismissed the Title II claim because Thomas's previous application for Title II benefits was based on the same time period and had already been denied. The ALJ refused to reopen this earlier decision, thus the question of whether Thomas had been disabled prior to the expiration of his insured status may not be relitigated. The ALJ's decision not to reopen the prior decision is not subject to judicial review. *Califano v. Sanders*, 430 U.S. 99, 102-04, 97 S.Ct. 980, 982-83, 51 L.Ed. 2d 192 (1977).

Thomas also filed a claim for SSI benefits. Before he received either an initial or reconsideration decision on this claim, Thomas requested that it be accelerated to the ALJ level so that it could be determined with his Title II claim. The ALJ dismissed his Title II claim, *supra*, but did not dismiss Thomas's SSI claim because the date of the termination of his insured status is irrelevant for a claim of SSI benefits. Because Thomas's Title II claim was dismissed, however, the ALJ denied the acceleration request and remanded the case to the DDS for an initial determination. Thomas's SSI claim remains pending before the DDS.

The plaintiffs contend that this court has jurisdiction to hear their claims under three separate provisions: (1) the provisions for judicial review of final administrative decisions pursuant to the Social Security Act, 42 U.S.C. § 405(g), 1383(c)(3); (2) federal question jurisdiction pursuant to 28 U.S.C. § 1331; and (3) mandamus jurisdiction pursuant to 28 U.S.C. § 1361. The defendants contend that jurisdiction is inappropriate under all three provisions and ask this court to dismiss the case for lack of subject

matter jurisdiction or failure to state a claim upon which relief may be granted, or in the alternative, to grant summary judgment.

ANALYSIS

Rule 56(c) of the Federal Rules of Civil Procedure provides that summary judgment "shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." This standard mirrors the standard for a directed verdict under Federal Rule of Civil Procedure 50(a), which is that the trial judge must direct a verdict if, under the governing law, there can be but one reasonable conclusion as to the verdict. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 250, 106 S.Ct. 2505, 2511, 91 L.Ed.2d 202 (1986). Stated in the negative, summary judgment will not lie if the evidence is such that a reasonable jury could return a verdict for the nonmoving party. *Id.* at 248, 106 S.Ct. at 2510. With this standard at hand, the court will consider the defendants' motion for summary judgment.

A. *Jurisdiction Pursuant to 42 U.S.C. § 405(g)*

Jurisdiction for judicial review of final decisions by the Secretary is provided by 42 U.S.C. § 405(g),[5] which states that:

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[5] 42 U.S.c. § 1383(c)(3), which deals with claims for supplemental security income, incorporates the standard of judicial review provided in § 405(g).

> Any individual, after any final decision of the Secretary made after a hearing to which he is a party, irrespective of the amount in controversy, may obtain a review of such decision by a civil action commenced within 60 days after the mailing to him of notice of such decision or within such further time as the Secretary may allow. Such action shall be brought in the district court of the United States for the judicial district in which the plaintiff resides. . . .

The Supreme Court has held that the "final decision" requirement of § 405(g) consists of two separate elements: the jurisdictional, nonwaivable requirement that a claim for benefits has actually been presented to the Secretary, and the waivable requirement that the claimant has exhausted all administrative remedies. *Bowen v. City of New York*, 486 U.S. 467, 482-83, 106 S.Ct. 2022, 2031-32, 90 L.Ed.2d 462 (1986) (quoting *Mathews v. Aldridge*, 424 U.S. 319, 328, 96 S.Ct. 893, 899, 47 L.Ed.2d 18 (1976)). In the present case, the class of claimants , as defined in plaintiffs' motion for class certification, all meet the first element of § 405(g), the jurisdictional requirement that a claim for benefits has been made. The proposed class, however, consists exclusively of persons who have not met the second requirement, exhaustion of their administrative remedies. The class consists of all persons who have been denied benefits at only the first two levels of administrative review the Initial and Reconsideration Stages. By definition, these claimants have neither pursued the third stage of appeal, a de novo hearing before an ALJ, nor the fourth stage, an appeal of an adverse ALJ decision to the Appeals Counsel. The plaintiffs contend that this court should waive the exhaustion requirement

so that it will have jurisdiction under § 405(g) to decide the claims of the proposed class.

In evaluating the application of the exhaustion requirement, the Supreme Court has explained that:

> the doctrine of administrative exhaustion should be applied with a regard for the particular administrative scheme at issue. Exhaustion is generally required as a matter of preventing premature interference with agency processes, so that the agency may function efficiently and so that it may have an opportunity to correct its own errors, to afford the parties and the courts the benefit of its experience and expertise, and to compile a record which is adequate for judicial review.

Weinberger v. Salfi, 422 U.S. 749, 765, 95 S.Ct. 2457, 2466-67, 45 L.Ed. 2d 522 (1975) (citations omitted). The court further noted that the exhaustion requirement is "something more than a simple codification of the judicially developed doctrine of exhaustion." *Id.* at 766, 95 S.Ct. at 2467. The language of § 405(g) itself also supports the exhaustion requirement by providing that an individual may obtain judicial review only "after a final decision of the Secretary made after a hearing to which he was party." Interpreting this language, the Court has held that a final decision is a condition of Congress's waiver of sovereign immunity, and thus is "central to the requisite grant of subject-matter jurisdiction." *Salfi*, 422 U.S. at 764, 95 S.Ct. at 2466. The Social Security Act does not define "final decision," leaving it to the Secretary to specify what constitutes the "final decision" which terminates the administrative process and triggers the right to judicial review. *Id.* at 766 & n. 9, 95 S.Ct. at 2467 & n. 9. The

Secretary in turn "has provided that a 'final decision' is rendered on a . . . claim only after the individual claimant has pressed his claim through all designated levels of administrative review." *Heckler v. Ringer*, 466 U.S. 602, 606, 104 S.Ct.2013, 2017, 80 L.Ed.2d 622 (1984) (interpreting "final decision" for Medicare claims); *Salfi*, 422 U.S. at 765, 95 S.Ct. at 2466-67 (interpreting finality under § 405(g)). The Supreme Court has also held that in class actions where jurisdiction is based on § 405(g), a class ordinarily may be certified only to the extent that each of its members individually satisfies all jurisdictional requirements, including the final decision requirement. *Salfi*, 422 U.S. at 764, 95 S.Ct. at 2466 (discussing jurisdictional requirements for a class under § 405(g)); *cf. Califano v. Yamasaki*, 442 U.S. 682, 701, 703, 99 S.Ct. 2545, 2557-58, 2558-59, 61 L.Ed.2d 176 (1979) (involving certification of a class action under 42 U.S.C. § 405(g)). Moreover, the Supreme Court has specifically held that where the plaintiffs have fulfilled the nonwaivable requirement of presenting a claim for benefits, but have failed to satisfy the exhaustion requirement, the action should be dismissed under § 405(g). *Ringer*, 466 U.S. at 617-19, 104 S.Ct. at 2022-24.

Despite the general requirement of exhaustion, the Supreme Court has recognized that exhaustion may be waived in certain rare circumstances. The plaintiffs rely on *Bowen v. City of New York*, 476 U.S. 467, 106 S.Ct. 2022, 90 L.Ed.2d 462 (1986), as controlling authority on the question of whether this court should waive the

exhaustion requirement.[6] In *City of New York*, the plaintiffs brought a class action seeking relief on behalf of all individuals residing in New York who had, within a specified time period, been denied disability benefits or whose benefits had been terminated pursuant to an allegedly illegal and secret internal policy of the Secretary. *Id.* at 473, 106 S.Ct. at 2026. The Court waived exhaustion on the basis of the "unique circumstances" presented in *City of New York*, specifically "a systemwide, unrevealed policy that was inconsistent in critically important ways with established regulation" and was nevertheless being used to evaluate an entire class of claims. *Id.* at 485, 106 S.Ct. at 2032. The Court waived exhaustion for currently pending claims because "[m]embers of the class could not attack a policy they could not be aware existed", and thus it would be unfair

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[6] Plaintiffs also cite a number of lower court decisions which have excused the exhaustion requirement. *See, e.g., Wilkerson v. Bowen*, 828 F.2d 117, 121-22 (3rd Cir.1987); *Polaski v. Heckler*, 751 F.2d 943, 951-52 (8th Cir.1984). However, with one exception, none of the cases involve the key admission made by the plaintiffs in the present case that exhaustion of administrative remedies would remove the errors of which plaintiffs complaint. The one exception, *Jones v. Califano*, 576 F.2d 12 (2d Cir.1978), is easily distinguished from the present case. First, it predates the now controlling *City of New York* case. Moreover, *Jones* involved one disputed issue of statutory construction and the Secretary's interpretation had already been judged incorrect by both the Appeals Council of the Social Security Administration and a federal court. *Id.* at 17,20-21. In contrast, the present case does not involve only one issue of statutory interpretation. Moreover, there has been no ruling on the merits which has been adverse to the Secretary; indeed, the Third Circuit recently upheld § 12.09 in *Petition of Sullivan*, 904 F.2d 826, 845 (3rd Cir.1990).

to penalize the claimants for not exhausting their administrative remedies under the circumstances. *Id.* at 482, 106 S.Ct. at 2031 (citation omitted). Moreover, "under these unique circumstances, there was nothing to be gained from permitting the compilation of a detailed factual record, or from agency expertise." *Id.* The Supreme Court specifically distinguished the *City of New York* claimants from those persons "arguing merely that an agency incorrectly applied its regulation." *Id.* The Supreme Court also emphasized that even in situations where the court has found a legally incorrect policy, such a finding still would not necessarily justify a waiver of the exhaustion requirement. The Court expressly stated that it did not "suggest that every internal policy that is . . . inconsistent with legal requirements" and "touches upon the outcome of a class of cases" would justify "excusing exhaustion". *Id.* at 487, 106 S.Ct. at 2033-34. In *City of New York*, the Supreme Court has thus required a very high standard to excuse exhaustion, emphasizing that exhaustion "is the rule in the vast majority of cases." *Id.* at 486, 106 S.Ct. at 2033.

In the present case the policies challenged by the plaintiffs clearly are not secret. The Secretary's standards for evaluating alcoholism and substance addiction claims are published in Social Security Ruling 82-60 and in § 12.09 of the listing of impairments. 20 C.F.R. Part 404, Subpart P, Appendix 1 (1989). The plaintiffs allege the incorrect handling of disability claims based on alcoholism or drug dependence in the first two stages of the administrative process, but they do not allege a secret policy and thus, a central premise of the *City of New York*

holding is absent.[7] Moreover, the plaintiffs admit that in the present case, unlike *City of New York*, there is no systemwide problem in the appeals procedure, conceding that any alleged errors at the first two levels of the administrative process are corrected by appeal to administrative law judges.

The present plaintiffs also allege no policy which is inconsistent with statute or regulations, but instead claim that the DDS denial of benefits at the first two stages of the administrative process is improper because it conflicts with a 1977 Eighth Circuit case, *Adams v. Weinberger*, 548 F.2d 239 (8th Cir.1977). In discussing the difficulty of analyzing claims of disability based on alcoholism, the *Adams* court noted that when evaluating such a claim, "the emphasis should be placed on whether the claimant is addicted to alcohol and as a consequence has lost the voluntary ability to control its use." *Id.* at 244 (citations omitted). The plaintiffs argue that this language sets up an additional standard which the Secretary must use in step three of the five-step analysis when evaluating disability based on alcoholism or drug dependency, a standard that is equivalent to the other nine § 12.09 listings.

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[7] *Cf. Pittston Coal Group v. Sebben*, 488 U.S. 105, 109 S.Ct. 414, 102 L.Ed.2d 408 (1988). In *Pittston*, the Supreme Court refused to excuse the limitations period for seeking review by simply nothing that, unlike *Bowen v. City of New York*, "the agency action here was no taken pursuant to a secret internal policy, but under a regulation that was published for all to see." *Id.* at 123, 109 S.Ct. at 425. *See also Petition of Sullivan*, 904 F.2d 826, 833 n. 7 (3rd Cir.1990) (noting that a "secret policy permits tolling of the time in which to seek judicial review of a denial of benefits").

See 20 C.F.R. Part 404, Subpart P, Appendix 1 (1989). The plaintiffs contend that the DDS, during the Initial and Reconsideration Stages of the appeals process, does not apply this additional, allegedly mandatory, standard when reaching step three of the disability analysis, and therefore improperly denies or terminates benefits. Under step three of the five-step evaluation process, however, the Secretary does not automatically award disability benefits whenever a claimant evidences a lack of control over drinking or drug use, but rather goes on to consider whether the claimant, under the totality of circumstances, is unable to engage in substantial gainful employment. *See Sullivan*, 904 F.2d at 845. The plaintiffs essentially argue that *Adams* establishes a per se disability test, that is, the disability inquiry should end at step three of the evaluation process on the mere diagnosis of alcoholism. Thus, persons claiming alcoholism or other substance abuse as a disability would not be required to show that their impairments were severe enough to preclude substantial work. Interpreting *Adams* in this fashion, however, contradicts congressional intent to limit disability benefits under the Social Security Act to only those persons who are unable to perform substantial gainful activity. *See* 20 C.F.R. §§ 404.1520(a) & (b), 416.920(a) & (b) (1989).

The plaintiffs' interpretation of *Adams* is also questionable for a number of other reasons. The *Adams* language on which plaintiffs rely was written in response to an ALJ's finding that Adams could "cure" his disability merely by stopping his drinking. The ALJ thus determined that Adams was not disabled, relying on a social

security regulation which stated that remediable conditions could not be disabling. The Eighth Circuit noted that courts should focus on whether a claimant possesses the voluntary ability to stop drinking when determining whether his or her alcoholism was a remediable condition. Contrary to plaintiffs' claims, the *Adams* court was not thereby announcing a new standard for evaluating alcoholism as a disability. The *Adams* court never suggested that it was establishing an additional disability standard, but rather indicated that it was merely construing the disability regulations in effect in 1977.[8] 548 F.2d at 242-44. *Adams* thus merely interpreted the then-existing social security regulations, it did not seek to impose an additional standard when a claimant alleged disability because of alcoholism or drug dependency. *Cf. Heckler v. Campbell.* 461, U.S. 458, 466, 103 S.Ct. at 1952, 1956-57, 76 L.Ed.2d 66 (1983) (holding that where a social security statute expressly delegates to the Secretary the responsibility for implementing a provision, the court's review is limited to determining whether the resulting regulation

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[8] The regulations interpreted by the *Adams* court have since been replaced by the nine categories in § 12.09 of the current Social Securities regulations. The plaintiffs in the present case assert that § 12.09 is the Social Security Administration's current policy and that it conflicts with *Adams*. In *Petition of Sullivan*, the Third Circuit examined the current policy under § 12.09 and held that it did not violate prior court of appeals' decisions. 904 F.2d 826, 844-47 (3rd Cir.1990). Specifically, the Third Circuit found that the current policy does not violate either *McShea v. Schweiker*, 700 F.2d 117, (3rd Cir.1983), or *Purter v. Heckler*, 771 F.2d 682 (3rd Cir.1985), two cases on which the current plaintiffs rely. *Id.* at 844-45. The Third Circuit further held that the § 12.09 listings do not violate the Social Security Act. *Id.* at 847.

exceeded the Secretary's statutory authority and whether the regulation is arbitrary and capricious). Nothing in the *Adams* decision states that the standard set forth in that case must be specifically incorporated by the Secretary at the listing stage, step three of the five-step evaluation procedure. The plaintiffs' contention that the *Adams* standard is the equivalent of a § 12.09 listing is thus unsupported by any language in *Adams*.

The plaintiffs' interpretation of *Adams* also ignores language in *Adams*, as well language in subsequent Eighth Circuit decisions, which provides that in addition to considering the issues of addiction and the voluntary ability to control substance use, the Secretary's evaluation of an alcoholism claim must also include an inquiry into whether the claimant's disability is "the kind of disability with which the [Social Security] Act is intended to deal." *Adams*, 548 F.2d at 245 (citations omitted); *Cruse v. Bowen*, 867 F.2d 1183, 1186 (8th Cir. 1989) (noting that "the mere presence of alcoholism is not necessarily disabling"); *Metcalf v. Heckler*, 800 F.2d 793, 796 (8th Cir.1986) (citing *Adams* for the proposition that "in order to establish a disability predicated on alcoholism, the claimant must show: (1) that he has lost self-control to the point of being 'impotent to seek and use means of rehabilitation,' and (2) that his disability is encompassed by the [Social Security] Act"). Disability under the Act requires both the presence of a medical impairment and the inability by reason of that impairment to perform any substantial gainful activity. 42 U.S.C. §§ 423(d)(1)(A), 1382c(a)(3)(A). to the extent that plaintiffs interpret *Adams* to mandate a finding of disability without further consideration of the effects of alcoholism on a claimant's ability to work, their

interpretation is contrary to the plain language of the social security statute.[9] *Adams* also does not support such an interpretation; on the contrary, it acknowledges that a claimant's alcoholism must be "the kind of disability with which the Act is intended to deal." *Adams*, 548 F.2d at 245. The plaintiffs' interpretation of *Adams* thus seeks to establish a standard that is unsupported by *Adams* and by subsequent Eighth Circuit case law.

The plaintiffs in the present case, unlike those in *City of New York*, allege no secret agency policy, relying instead on a questionable interpretation of the *Adams* case. In addition to the presence of a secret policy, the Supreme Court in *City of New York*, also considered three other factors when determining whether exhaustion should be waived: (1) whether the claim for which exhaustion is sought is entirely collateral to the claim for benefits; (2) whether class members would be irreparably injured if required to exhaust their administrative remedies; and (3) whether completing the administrative appeals process would serve the purposes underlying the exhaustion requirement, specifically that "because of the

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[9] In *Petition of Sullivan*, the Third Circuit specifically rejected an argument identical to the plaintiffs', emphasizing that:

> Not all persons whose abuse of alcohol has progressed to the point that they are unable to control their drinking are incapable of any gainful employment. Common medical understanding does not square with an assumption that every person who meets the clinical definition of alcoholism, and is thus unable to control his drinking, is *ipso facto* unable to perform *any* gainful activity.

904 F.2d 826, 845 (3rd Cir.1990) (emphasis in original).

agency's expertise in administering its own regulations, the agency ordinarily should be given the opportunity to review application of those regulations to a particular factual context". 467 U.S. at 483-85, 106 S.Ct. at 2031-33. These additional factors will be examined to determine if exhaustion should be waived in the present case.

In *City of New York*, the Court considered whether the claim raised by the plaintiffs was entirely collateral to their claim for benefits, reasoning that waiver of exhaustion would be indicated in cases where the claims raised were entirely collateral to the plaintiffs' claims for benefits. *Id.* at 483, 106 S.Ct. at 2031-32 (quoting *Mathews v. Eldridge*, 424 U.S. 319, 330, 96 S.Ct. 893, 990, 47 L.Ed.2d 18 (1976)). In *City of New York*, the plaintiffs sought to vindicate a separate procedural right, the right to have their claims decided accordingly to the Secretary's published criteria rather than the secret policy which they alleged was being used. *Id.* at 482-83, 106 S.Ct. at 2031-32. Similarly, in *Mathews v. Eldridge*, the claimant challenged a procedural rule which provided a hearing only after a person's benefits had been terminated. 424 U.S. at 324-26, 96 S.Ct. at 897-99. Eldridge, however, did not challenge the merits of the termination of his benefits, only the adequacy of the termination process used. The Supreme Court waived exhaustion because Eldridge's challenge to the hearing procedure was entirely collateral to his claim for benefits. *Id.* at 330-31, 96 S.Ct. at 900-01.

In the present case, however, this factor does not justify the waiver of exhaustion because the present plaintiffs' claims are not collateral to their claims for benefits. The plaintiffs contend that persons who lack the ability to voluntarily control their drinking are, on the

basis of *Adams*, entitled to a presumption of disability in step three of the evaluation process without reference to the listings under § 12.09. The plaintiffs thus are not merely asking for a pretermination hearing (as in *Eldridge*) or challenging the failure to adhere to published regulations (as in *City of New York*), they instead challenge the Secretary's substantive standards governing the entitlement to benefits. The Supreme Court has already held in *Heckler v. Ringer* that such claims are not collateral, but rather are inextricably intertwined with a respondent's claim for benefits. 466 U.S. 602, 614, 104 S.Ct. 2013, 2021, 80 L.Ed.2d 622 (1984); *Smith v. Schweiker*, 709 F.2d 777 (2d Cir. 1983). In *Smith v. Schweiker*, the Second Circuit explained in similar circumstances that:

> The claims raised in this action are hardly collateral to the demand for benefits. Unlike Eldridge, who was asserting a right to a particular kind of procedure to which he was not entitled under the Secretary's regulations, the plaintiffs here claim only that, depending on the evidence adduced, an illegal termination of their benefits may result from the application of the Secretary's test for current disability.

Id. at 780. The present case also fails to raise claims that are entirely collateral to the claims for benefits, and thus under *City of New York*, the absence of this factor argues against waiver of the exhaustion requirement.

The plaintiffs in the present case also fail to demonstrate irreparable harm, another factor considered by the Court when waiving exhaustion in *City of New York*, 476 U.S. at 483-84, 106 S.Ct. at 2031-32. In excusing exhaustion the Court heavily relied upon the district court's

finding that the *City of New York* class members would suffer irreparable harm, not merely because their benefits would be denied, but because the class of plaintiffs as defined had severe mental disturbances, and requiring them to exhaust their administrative remedies could trigger severe medical setbacks. *Id.* The Court further noted that many of the *City of New York* plaintiffs did have to be hospitalized because of the trauma resulting from the wrongful termination of their disability benefits. *Id.* at 484, 106 S.Ct. at 2032. In contrast, the plaintiffs in the present case do not allege that benefits would be denied throughout the administrative process, admitting that any alleged errors in the process are corrected at the ALJ stage. The plaintiffs also do not demonstrate that exhausting the administrative process would itself cause irreparable harm to any class members. Unlike the class members in *City of New York,* the members of the proposed class in the present case are no different than any other claimant who has been denied benefits at the initial stages of the administrative process. Moreover, in establishing a multi-tiered review process, Congress impliedly determined that a retroactive award of benefits at a later administrative stage is a fully adequate remedy to any injury stemming from an incorrect denial of benefits at an earlier administrative stage. *See, e.g., Ringer,* 466 U.S. at 627, 104 S.Ct. at 2028 (reasoning that "Congress must have felt that cases of individual hardship resulting from delays in the administrative process had to be balanced against the potential for overly casual or premature judicial intervention in an administrative system that processes literally millions of claims every year"). The plaintiffs also fail to demonstrate that any delay resulting

from the exhaustion requirement has actually harmed any of the named plaintiffs. Indeed, the plaintiffs' delay in filing this lawsuit belies any claims of irreparable harm stemming from the delay imposed by the administrative process. Thus, the absence of any irreparable injury also undercuts the plaintiffs' request that exhaustion be waived.

The final factor examined by the Court in *City of New York* was whether completing the administrative process would serve the purposes underlying the exhaustion requirement. 476 U.S. at 484-85, 106 S.Ct. at 2032-33. As the Supreme Court emphasized in *Weinberger v. Salfi*, 422 U.S. 749, 95 S.Ct. 2457, 45 L.Ed.2d 522 (1975), the exhaustion requirement is intended to prevent "premature interference with agency processes" so that:

> the agency may function efficiently and so that it may have an opportunity to correct its own errors, to afford the parties and the courts the benefit of its experience and expertise, and to compile a record which is adequate for judicial review.

Id. at 765, 95 S.Ct. at 2466-67 (citations omitted). All of the justifications for requiring exhaustion are present in this case. In sharp contrast to *City of New York*, the plaintiffs in the present case openly concede that exhaustion will remove the alleged errors in the administrative process. Moreover, the complexity of alcoholism and drug addiction also supports the exhaustion requirement by allowing the administrative process to proceed on a case-by-case basis to determine whether a particular claimant has the ability to control his or her drinking or drug abuse, and if not, whether the person can nevertheless perform

any substantial gainful activity.[10] *See Sullivan*, 904 F.2d at 845. Exhaustion also permits the agency to compile a

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[10] The Supreme Court has acknowledged the complexity of alcoholism. In *Traynor v. Turnage*, 485 U.S. 535, 108 S.Ct. 1372, 99 L.Ed.2d 618 (1988), the Supreme Court sustained the validity of a Veterans Administration regulation which classified all forms of alcoholism as "willful misconduct", except for alcoholism that was "secondary to and a manifestation of an acquired psychiatric disorder." *Id.* at 538 n. 2, 550-52, 108 S.Ct. at 1376 n. 2, 1382-84. The Court noted that whether alcoholism "is a disease whose course its victims cannot control" is a "medical issue on which the authorities remain sharply divided." *Id.* at 552, 108 S.Ct. at 1383. *See generally*, Fingarett, *The Perils of Powell: In Search of a Factual Foundation for the "Disease Concept of Alcoholism,"* 83 Harv.L.Rev. 793, 802-08 (1970) (discussing the controversy regarding the nature of alcoholism).

A survey of current literature also demonstrates the controversy regarding the nature of alcoholism and other forms of substance addiction. *See, e.g.*, N. Heather & I. Robertson, *Problem Drinking* (2d ed. 1989) (discussing the various theories regarding alcoholism, and arguing that problem drinking is not a disease but rather a social psychological response to various environmental stimuli); J. Beasley, *Wrong Diagnosis, Wrong Treatment: The Plight of the Alcoholic in America* (1987) (arguing that alcoholism results from an inherited biochemical difference which should be treated by stabilizing an individual's nervous system through nutrition and exercise); *Constructive Drinking* (M. Douglas ed. 1987) (examining alcohol use from an anthropological perspective); *Psychological Theories of Drinking and Alcoholism* (H. Blane & K. Leonard ed. 1987) (detailing nine theories of alcoholism, including such theories as the social learning theory, the tension reduction theory, and the interactional theory).

Minnesota is a leader in chemical dependency treatment. As of 1989, Minnesota treatment programs were admitting 40,000 people per year. The Minnesota Consolidated Chemical Dependency Treatment Fund pays for treatment of 16,000 of these people, and is being viewed as a national model for publicly

complete record and provides the agency with a full opportunity to exercise its judgment and expertise to evaluate such claims and correct any errors in the administrative process.[11] Therefore, the purposes underlying the exhaustion requirement will not be served if exhaustion is waived in the present case.

Based on the foregoing analysis, it is obvious that none of the unique circumstances which warranted the waiver of exhaustion in *City of New York* is present in this case. The plaintiffs do not challenge any secret policies which are inconsistent with published regulations. They

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funded chemical dependency treatment. Chemical Dependency Program Division, Department of Human Services of the State of Minnesota, *Biennial Report* 46 (1989). Minnesota has also been a leader in curbing the spread of AIDS among intravenous drug abusers. *Id.* Minnesota state agencies currently spend a total of 63.5 million dollars a year on alcohol and drug related programs. *Id.*

In 1989, Minnesota conducted and funded a household survey of drug and alcohol use among adults (age 18 and over) living in Minnesota. The survey was designed to provide current information regarding the extent of substance use in Minnesota, how that use compares with national figures, and how use varies by region, sex, and race. Chemical Dependency Program Division, Minnesota Department of Human Services, *Minnesota Household Survey of Drug and Alcohol Use Among Adults*, Report No. 1 (1989).

[11] Ironically, the plaintiffs claim that waiver of exhaustion is required in the present case because "they seek declaratory and injunctive relief requiring the defendants to develop the evidence of their impairments fully and adequately. . . ." Instead of supporting the requested waiver, this assertion provides further evidence that plaintiffs should be required to exhaust their administrative remedies to permit the agency to compile a complete record.

also fail to prove that they would suffer irreparable harm if required to exhaust their administrative remedies. They raise claims which are not entirely collateral, but are inextricably intertwined with their claims for benefits. Finally, the policies which support the exhaustion requirement would be served if the plaintiffs were required to proceed to the third and fourth levels of the administrative process. The plaintiffs essentially claim that exhaustion of administrative remedies should be waived because if exhaustion were required, persons with possibly meritorious claims would be forced to pursue their administrative appeals, would obtain benefits, and would have no basis for complaint. This claim is insufficient to support the requested waiver and thus the court determines that the plaintiffs must exhaust their administrative remedies. As a result, there is no basis for jurisdiction pursuant to § 405(g).

B. *Plaintiffs' Assertion That This Court Has Jurisdiction Pursuant to 28 U.S.C. § 1361*

Under 28 U.S.C. § 1361:

> The district courts shall have original jurisdiction of any action in the nature of mandamus to compel an officer or employee of the United States or any agency thereof to perform a duty owed to the plaintiff.

The plaintiffs claim that this section provides an alternative basis for jurisdiction over their claims. The Supreme Court, however, specifically rejected this argument in *Heckler v. Ringer*, 466 U.S. 602, 616-17, 104 S.Ct. 2013, 2022-23, 80 L.Ed.2d 622 (1984). In rejecting this alternative

basis for jurisdiction, the Court noted that "[t]he common-law writ of mandamus, as codified in 28 U.S.C. § 1361, is intended to provide a remedy for a plaintiff only if he has exhausted all other avenues of relief and only if the defendant owes him a clear nondiscretionary duty." *Id.* at 616, 104 S.Ct. at 2022. (citations omitted). The Court then held that § 205(g) [sic] of the Social Security Act clearly provides claimants with an adequate remedy for challenging all aspects of the Secretary's denial of their claims, and thus, mandamus was not available as an alternative basis for jurisdiction. *Id.* at 617, 104 S.Ct. at 2022-23. Following *Ringer,* this court has no jurisdiction over plaintiffs' claims under § 1361.

C. *Plaintiffs' Claim That Federal Question Jurisdiction Provides an Alternative Basis for Jurisdiction*

The plaintiffs also claim that this court has jurisdiction over their constitutional claims against Secretary Sullivan under 28 U.S.C. § 1331, which states that:

> The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.

The plaintiffs further assert that this court has jurisdiction over their claims against the state officials, pursuant to 28 U.S.C. §§ 1331 and 1343(a)(3). Under § 1343:

> (a) The district court shall have original jurisdiction of any civil action authorized by law to be commenced against any person:
>
> . . . .
>
> (3) To redress the deprivation, under color of any State law, statute, ordinance,

> regulation, custom or usage, of any right, privilege or immunity secured by the Constitution of the United States or by any Act of Congress providing for equal rights of citizens or of all persons within the jurisdiction of the United States . . .

The plaintiffs' attempt to maintain their suit on the basis of federal question jurisdiction, however, is barred by the provisions of the Social Security Act itself. As the Supreme Court noted in *Weinberger v. Salfi*, 42 U.S.C. § 405(h) expressly provides that:

> No action against the United States, the Secretary, or any officer or employee thereof shall be brought under [28 U.S.C. § 1331 *et seq.*] to recover on any claim arising under [Title II of the Social Security Act].

Weinberger v. Salfi, 422 U.S. at 756, 95 S.Ct. at 2462 (citing statute) (brackets in the original). The language of § 405(h) indicates that this jurisdictional bar is more than a codified requirement of administrative exhaustion, because it "states that no action shall be brought under § 1331, not merely that only those actions shall be brought in which administrative remedies have been exhausted." *Id.* at 757, 95 S.Ct. at 2463. The wording of § 405(h), thus "bars district court federal-question jurisdiction over suits, such as this one, which seek to recover Social Security benefits." *Id.* at 756-57, 95 S.Ct. at 2462-63. Following this analysis, this court has no federal question jurisdiction over the plaintiffs' claims.

CONCLUSION

Based on the foregoing analysis, this court has no federal question jurisdiction over the plaintiffs' claims.

Salfi, 422 U.S. at 756-57, 95 S.Ct. at 2462-63. The court also has no jurisdiction pursuant to 28 U.S.C. § 1361 because no writ of mandamus could properly issue in this case. *Ringer*, 466 U.S. at 616, 104 S.Ct. at 2022. The court also determines that waiver of exhaustion is not appropriate, thus this court has no jurisdiction pursuant to 42 U.S.C. § 405(g). The court therefore grants the defendants' motion for summary judgment.

Based on the foregoing analysis, IT IS HEREBY ORDERED that:

1. Plaintiffs' motion for class certification is denied as moot;

2. Defendants' motion for summary judgment is granted;

3. Defendants' motion to dismiss plaintiffs' claim for lack of subject matter jurisdiction or for failure to state a claim upon which relief can be granted is denied as moot;

4. Defendants' appeal from the magistrate's order granting plaintiffs' motion to compel responses to certain deposition questions is denied as moot; and

5. Defendants Roers' and Samargia's appeal of the magistrate's order requiring R. Dougherty to answer certain deposition questions is denied as moot.

LET JUDGMENT BE ENTERED ACCORDINGLY.

FEDERAL STATUTES

42 U.S.C. § 405(g) provides:

> Any individual, after any final decision of the Secretary made after a hearing to which he was a party, irrespective of the amount in controversy, may obtain a review of such decision by a civil action commenced within sixty days after the mailing to him of notice of such decision or such further time as the Secretary may allow.

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42 U.S.C. § 405(h) provides:

> No findings of fact or decision of the Secretary shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against the United States, the Secretary, or any officer or employee thereof shall be brought under section 1331 or 1346 of Title 28 to recover on any claim arising under this subchapter.

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42 U.S.C. § 421 (a) provides:

> (1) In the case of any individual, the determination of whether or not he is under a disability (as defined in section 416(i) or 423(d) of this title) and of the day such disability began, and the determination of the day on which such disability ceases, shall be made by a State agency, notwithstanding any other provision of

law, in any State that notifies the Secretary in writing that it wishes to make such disability determinations commencing with such month as the Secretary and the State agree upon, but only if (A) the Secretary has not found, under subsection (b)(1) of this section, that the State agency has substantially failed to make disability determinations in accordance with the applicable provisions of this section or rules issued thereunder, and (B) the State has not notified the Secretary, under subsection (b)(2) of this section, that it does not wish to make such determinations. If the Secretary once makes the finding described in clause (A) of the preceding sentence, the Secretary may thereafter determine whether (and, if so, beginning with which month and under what conditions) the State may again make disability determinations under this paragraph.

(2) The disability determinations described in paragraph (1) made by a State agency shall be made in accordance with the pertinent provisions of this subchapter and the standards and criteria contained in regulations or other written guidelines of the Secretary pertaining to matters such as disability determinations, the class or classes of individuals with respect to which a State may make disability determinations (if it does not wish to do so with respect to all individuals in the State), and the conditions under which it may choose not to make all such determinations. In addition, the Secretary shall promulgate regulations specifying, in such detail as he deems appropriate, performance standards and administrative requirements and procedures to be followed in

performing the disability determination function in order to assure effective and uniform administration of the disability insurance program throughout the United States. The regulations may, for example, specify matters such as –

(A) the administrative structure and the relationship between various units of the State agency responsible for disability determinations,

(B) the physical location of and relationship among agency staff units, and other individuals or organizations performing tasks for the State agency, and standards for the availability to applicants and beneficiaries of facilities for making disability determinations,

(C) State agency performance criteria, including the rate of accuracy of decisions, the time periods within which determinations must be made, the procedures for and the scope of review by the Secretary, and, as he finds appropriate, by the State, of its performance in individual cases and in classes of cases, and rules governing access of appropriate Federal officials to State offices and to State records relating to its administration of the disability determination function,

(D) fiscal control procedures that the State agency may be required to adopt, and

(E) the submission of reports and other data, in such form and at such time as the Secretary may require concerning the State agency's activities relating to the disability determination.

Nothing *in this section shall* be construed to authorize the Secretary to take any action except pursuant to law or to regulations promulgated pursuant to law.

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42 U.S.C. § 421(c) provides:

(1) The Secretary may on his own motion or as required under paragraphs (2) and (3) review a determination, made by a State agency under this section, that an individual is or is not under a disability (as defined in section 416(i) or 423(d) of this title) and, as a result of such review, may modify such agency's determination and determine that such individual either is or is not under a disability (as so defined) or that such individual's disability began on a day earlier or later than that determined by such agency, or that such disability ceased on a day earlier or later than that determination by such agency.

(2) The Secretary (in accordance with paragraph (3)) shall review determinations, made by State agencies pursuant to this section, that individuals are under disabilities (as defined in section 416(i) or 423(d) of this title). Any review by the Secretary of a State agency determination under this paragraph shall be made before any action is taken to implement such determination.

(3)(A) In carrying out the provisions of paragraph (2) with respect to the review of determinations made by State agencies pursuant

to this section that individuals are under disabilities (as defined in section 416(i) or 423(d) of this title), the Secretary shall review –

(i) at least 50 percent of all such determinations made by State agencies on applications for benefits under this subchapter, and

(ii) other determinations made by State agencies pursuant to this section to the extent necessary to assure a high level of accuracy in such other determinations.

(B) In conducting reviews pursuant to subparagraph (A), the Secretary shall, to the extent feasible, select for review those determinations which the Secretary identifies as being the most likely to be incorrect.

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42 U.S.C. § 421(d) provides:

Any individual dissatisfied with any determination under subsection (a), (b), (c), or (g) of this section shall be entitled to a hearing thereon by the Secretary to the same extent as is provided in section 405(b) of this title with respect to decisions of the Secretary, and to judicial review of the Secretary's final decision after such hearing as is provided in section 405(g) of this title.

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42 U.S.C. § 421(e) provides:

(e) State's right to cost from Trust funds

Each State which is making disability determinations under subsection (a)(1) of this section shall be entitled to receive from the Trust Funds, in advance or by way of reimbursement, as determined by the Secretary, the cost to the State of making disability determinations under subsection (a)(1) of this section. The Secretary shall from time to time certify such amount as is necessary for this purpose to the Managing Trustee, reduced or increased, as the case may be, by any sum (for which adjustment hereunder has not previously been made) by which the amount certified for any prior period was greater or less than the amount which should have been paid to the Sate under this subsection for such period; and the Managing Trustee, prior to audit or settlement by the General Accounting Office, shall make payment from the Trust Funds at the time or times fixed by the Secretary, in accordance with such certification. Appropriate adjustments between the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund with respect to the payments made under this subsection shall be made in accordance with paragraph (1) of subsection (g) of section 401 of this title (but taking into account any refunds under subsection (f) of this section) to insure that the Federal Disability Insurance Trust Fund is charged with all expenses incurred which are attributable to the administration of section 423 of this title and the Federal Old-Age and

Survivors Insurance Trust Fund is charged with all other expenses.

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42 U.S.C. § 421(k) provides:

(1) The Secretary shall establish by regulation uniform standards which shall be applied at all levels of determination, review, and adjudication in determining whether individuals are under disabilities as defined in section 416(i) or 423(d) of this title.

(2) Regulations promulgated under paragraph (1) shall be subject to the rulemaking procedures established under section 553 of Title 5.

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42 U.S.C. § 1983 provides:

Every person who, under color of any statute, ordinance, regulation, custom, or usage, of any State or Territory or the District of Columbia, subjects, or causes to be subjected, any citizen of the United States of other person within the jurisdiction thereof to the deprivation of any right, privileges, or immunities secured by the Constitution and laws, shall be liable to the party injured in an action at law, suit in equity, or other proper proceeding for redress. For the purposes of this section, any Act of Congress application exclusively to the District of Columbia shall be considered to be a statute of the District of Columbia.

FEDERAL REGULATIONS

20 C.F.R. §§ 404.1626 and 416.1026 are identical in substance and provide:

> (a) We will give the State funds, in advance or by way of reimbursement, for necessary costs in making disability determinations under these regulations. Necessary costs are direct as well as indirect costs as defined in 41 C.F.R. part 1-15, subpart 1-15.7 of the Federal Procurement Regulations System for costs incurred before April 1, 1984; and 48 C.F.R. part 31, subpart 31.6 of the Federal Acquisition Regulations System and Federal Management Circular A-74-4 as amended or superseded for costs incurred after March 31, 1984.
>
> (b) The State will submit estimates of anticipated costs in the form of a budget at the time and in the manner we require.
>
> (c) We will notify the State of the amount which will be made available to it as well as what anticipated costs are being approved.
>
> (d) The State may not incur or make expenditures for items of cost not approved by us or in excess of the amount we make available to the State.
>
> (e) After the close of a period for which funds have been made available to the State, the State will submit a report of its expenditures. Based on an audit arranged by the State under Pub.L. 98-502, the Single Audit Act of 1984, or by the Inspector General of the Department of Health and Human Services or based on any audit or review by the Social Security Administration (see § 404.1627), we will determine

whether the expenditures were consistent with cost principles described in 41 C.F.R. part 31, subpart 31.6 and Federal Management Circular A-741-4 for costs incurred after March 31, 1984: and in other applicable written guidelines in effect at the time the expenditures wee [sic] made or incurred.

(f) Any monies paid to the State which are used for purposes not within the scope of these regulations will be paid back to the Treasury of the United States.

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20 C.F.R. §§ 404.1633 and 416.1033 are identical in substance and provide:

(a) We will provide the State agency with written guidelines necessary for it to carry out its responsibilities in performing the disability determination function.

(b) The State agency making determinations of disability will comply with the written guidelines in the Disability Insurance sections of the Program Operations Manual System. This manual will also include certain policies, procedures, guides and operating instructions designated as advisory or discretionary.

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20 C.F.R. §§ 404.1615(g) and 416.1015(g) are identical in substance and provide:

> The State agency will not be responsible for defending in court any determination made, or any procedure for making determinations, under these regulations.

STATE STATUTE

Minn. Stat. § 268A.03(e) (1990) provides:

> The commissioner shall:
>
> . . . .
>
> Maintain a contractual relationship with the United States as authorized by the Social Security Act, as amended. Under this relationship, the state will undertake to make determinations referred to in those public laws with respect to all individuals in Minnesota, or with respect to a class or classes of individuals in this state that is designated in the agreement at the state's request. It is the purpose of this relationship to permit the citizens of this state to obtain all benefits available under federal law.